



General Assembly

January Session, 2005

Amendment

LCO No. 6900

HB0661906900HDO

Offered by:

REP. O'CONNOR, 35th Dist.

To: Subst. House Bill No. 6619

File No. 254

Cal. No. 228

"AN ACT CONCERNING DISCOUNT HEALTH PLANS."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective July 1, 2005*) (a) As used in this section
4 and section 2 of this act:

5 (1) "Affiliate" means a person that directly or indirectly through one
6 or more intermediaries, controls, or is controlled by, or is under
7 common control with, a health insurer, health care center, hospital
8 service corporation, medical service corporation or fraternal benefit
9 society licensed in this state;

10 (2) "Consumer" means: (A) A person to whom a medical discount
11 plan is marketed or advertised, or (B) a member, as defined in this
12 subsection;

13 (3) "Medical discount plan" means a business arrangement or
14 contract in which a person, in exchange for payment, provides access
15 for its members to providers of health care services and the right to

16 receive health care services from those providers at a discount.
17 "Medical discount plan" does not include a product that (A) is
18 otherwise subject to regulation or approval under title 38a of the
19 general statutes, or (B) costs less than twenty-five dollars, annually, in
20 the aggregate;

21 (4) "Medical discount plan organization" means a person that (A)
22 establishes a medical discount plan, (B) contracts with providers,
23 provider networks or other medical discount plan organizations to
24 provide health care services at a discount to medical discount plan
25 members, and (C) determines the fees charged to the members for the
26 medical discount plan. "Medical discount plan organization" does not
27 include a health insurer, health care center, hospital service
28 corporation, medical service corporation or fraternal benefit society
29 licensed in this state or any affiliate of such health insurer, health care
30 center, hospital service corporation, medical service corporation or
31 fraternal benefit society;

32 (5) "Health care services" means any care, service or treatment of an
33 illness or dysfunction of, or injury to, the human body. "Health care
34 services" includes physician care, inpatient care, hospital surgical
35 services, emergency medical services, ambulance services, dental care
36 services, vision care services, mental health care services, substance
37 abuse services, chiropractic services, podiatric services, laboratory test
38 services and the provision of medical equipment or supplies. "Health
39 care services" does not include pharmaceutical supplies or
40 prescriptions;

41 (6) "Member" means an individual who pays for the right to receive
42 the benefits of a medical discount plan; and

43 (7) "Person" means a person, as defined in section 38a-1 of the
44 general statutes.

45 (b) No person may market, advertise or sell to a resident of this state
46 a medical discount plan or any plan material that: (1) Fails to provide
47 to the consumer a clear and conspicuous disclosure that the medical

48 discount plan is not insurance and that the plan only provides for
49 discounted health care services from participating providers within the
50 plan; (2) uses in its marketing materials, advertisements, brochures or
51 member discount cards the term "insurance", "health plan", "coverage",
52 "copay", "copayments", "preexisting conditions", "guaranteed issue",
53 "premium", "PPO", "preferred provider organization" or any other
54 term that could reasonably mislead a person into believing the medical
55 discount plan is insurance, except that such terms may be used as a
56 disclaimer of any relationship between the medical discount plan and
57 insurance; (3) fails to provide the name, address and telephone number
58 of the administrator of the medical discount plan; (4) fails to make
59 available to the consumer through a toll-free telephone number, upon
60 request of the consumer, a complete and accurate list of the
61 participating providers within the plan in the consumer's local area
62 and a list of the services for which the discounts are applicable; (5) fails
63 to make a printed copy of such list available to the consumer upon
64 request commencing with the time the plan is purchased or fails to
65 update the list at least once every six months; (6) fails to use plain
66 language to describe the discounts or access to discounts offered and
67 such failure results in representations of the discounts that are
68 misleading, deceptive or fraudulent; (7) fails to provide the consumer
69 notice of the right to cancel such medical discount plan; (8) offers
70 discounted health care services or products that are not authorized by
71 a contract with each provider listed in conjunction with the medical
72 discount plan; (9) fails to allow a consumer to cancel a medical
73 discount plan not later than thirty days after the date payment is
74 received by the medical discount plan; (10) with respect to a consumer
75 who cancels a medical discount plan pursuant to subdivision (9) of this
76 subsection, fails to guarantee a refund of all membership fees paid to
77 the medical discount plan by the consumer, excluding a reasonable
78 one-time processing fee, not later than thirty days after the member
79 gives timely notification of cancellation of the plan to the medical
80 discount plan organization; or (11) fails to (A) provide at least one
81 member discount card for each member as proof of membership, and
82 (B) prominently display on such member discount card a statement

83 that the medical discount plan is not insurance.

84 (c) Any person who knowingly operates as a medical discount plan
85 organization in violation of this section shall be fined not more than
86 ten thousand dollars. Any person who knowingly aids and abets
87 another that the person knew or reasonably should have known was
88 operating as a medical discount plan organization in violation of this
89 section shall be fined not more than ten thousand dollars.

90 (d) Any person who collects fees for purported membership in a
91 medical discount plan but fails to provide the promised benefits shall
92 be subject to the penalties for larceny under sections 53a-122 to 53a-
93 125b, inclusive, of the general statutes, depending on the amount
94 involved.

95 (e) Any person licensed in this state as a health insurer, health care
96 center, hospital service corporation, medical service corporation or
97 fraternal benefit society, or any affiliate owned or controlled by such
98 health insurer, health care center, hospital service corporation, medical
99 service corporation or fraternal benefit society, may offer medical
100 discount plans in this state pursuant to such licensure.

101 Sec. 2. (NEW) (*Effective January 1, 2006*) (a) Before doing business in
102 this state as a medical discount plan organization, an entity shall:

103 (1) Be a corporation, limited liability company, limited liability
104 partnership, or other legal entity organized under the laws of this state
105 or, if a foreign corporation or other foreign entity, authorized to
106 transact business in this state; and

107 (2) Obtain a license as a medical discount plan organization from
108 the Insurance Commissioner in accordance with this section. The entity
109 shall file an application for a license to operate as a medical discount
110 plan organization with the commissioner on such form as the
111 commissioner prescribes. Such application shall be sworn to by an
112 officer or authorized representative of the applicant, under penalty of
113 false statement, and be accompanied by (A) a copy of the applicant's

114 articles of incorporation, including all amendments; (B) a copy of the
115 applicant's bylaws; (C) a list of the names, addresses, official positions
116 and biographical information of the medical discount plan
117 organization and the individuals who are responsible for conducting
118 the applicant's affairs, including, but not limited to, all members of the
119 board of directors, board of trustees, executive committee, or other
120 governing board or committee, the officers, contracted management
121 company personnel, and any person or entity owning or having the
122 right to acquire ten per cent or more of the voting securities of the
123 applicant, which listing shall fully disclose the extent and nature of any
124 contracts or arrangements between the applicant and any individual
125 who is responsible for conducting the applicant's affairs, including any
126 possible conflicts of interest; (D) for each individual listed in
127 subparagraph (C) of this subdivision as being responsible for
128 conducting the applicant's affairs, a complete biographical statement
129 on forms prescribed by the commissioner; (E) a statement generally
130 describing the applicant, its personnel and the health care services to
131 be offered; (F) a copy of the form of all contracts made or to be made
132 between the applicant and any providers or provider networks
133 regarding the provision of health care services to members; (G) a copy
134 of the form of any contract made or to be made between the applicant
135 and any person listed in subparagraph (C) of this subdivision; (H) a
136 copy of the form of any contract made or to be made between the
137 applicant and any person for the performance on the applicant's behalf
138 of any function, including, but not limited to, marketing,
139 administration, enrollment and subcontracting for the provision of
140 health care services to members; (I) a copy of the applicant's most
141 recent financial statements audited by an independent certified public
142 accountant, or, in the case of an applicant that is a subsidiary of a
143 person or parent corporation that prepares audited financial
144 statements reflecting the consolidated operations of the person or
145 parent corporation, a copy of the person's or parent corporation's most
146 recent financial statements audited by an independent certified public
147 accountant, provided the person or parent corporation also issues a
148 written guarantee that the minimum capital requirements of the

149 applicant required by this section will be met; (J) a description of the
150 proposed method of marketing; (K) a description of the subscriber
151 complaint procedures to be established and maintained; and (L) the fee
152 for a medical discount plan organization license set forth in section
153 38a-11 of the general statutes, as amended by this act. For purposes of
154 this subdivision, a "contract to be made" shall be determined based on
155 the information known to the applicant on the date the information is
156 filed with the commissioner.

157 (b) If the commissioner finds that the applicant is in compliance
158 with the requirements of this section the commissioner shall issue the
159 applicant a license as a medical discount plan organization which shall
160 expire one year after the date of issue. The commissioner shall renew
161 the license if the commissioner finds that the licensee is in compliance
162 with the requirements of this section and the licensee has paid the
163 renewal fee set forth in section 38a-11 of the general statutes, as
164 amended by this act.

165 (c) Prior to applying for a license from the commissioner, a medical
166 discount plan organization shall establish an Internet web site that
167 contains the information described in subsection (r) of this section.

168 (d) Any license or renewal fee received pursuant to this section shall
169 be deposited in the Insurance Fund established in section 38a-52a of
170 the general statutes.

171 (e) Nothing in this section shall require a provider who provides
172 discounts to the provider's own patients to obtain or maintain a license
173 as a medical discount plan organization.

174 (f) Each provider who offers health care services to members under
175 a medical discount plan shall provide such services pursuant to a
176 written agreement. The agreement may be entered into directly by the
177 provider or by a provider network to which the provider belongs.

178 (g) A provider agreement shall include: (1) A list of the services and
179 products to be provided at a discount; (2) the amount of the discounts

180 or, alternatively, a fee schedule that reflects the provider's discounted
181 rates; and (3) a requirement that the provider will not charge members
182 more than the discounted rates.

183 (h) A provider agreement between a medical discount plan
184 organization and a provider network shall require that the provider
185 network have written agreements with its providers that: (1) Contain
186 the terms set forth in subsection (g) of this section; (2) authorize the
187 provider network to contract with the medical discount plan
188 organization on behalf of the provider; and (3) require the network to
189 maintain an up-to-date list of its contracted providers and to provide
190 that list on a quarterly basis to the medical discount plan organization.
191 No medical discount plan organization may enter into or renew a
192 contractual relationship with a provider network that is not licensed in
193 accordance with section 38a-479aa of the general statutes.

194 (i) The medical discount plan organization shall maintain a copy of
195 each active agreement that it has entered into with a provider or
196 provider network.

197 (j) Each medical discount plan organization shall at all times (1)
198 maintain a net worth of at least two hundred fifty thousand dollars, or
199 (2) post a surety bond in the amount of one hundred thousand dollars.

200 (k) The commissioner may not issue or renew a license under this
201 section unless the medical discount plan organization has (1) a net
202 worth of at least two hundred fifty thousand dollars, or (2) posted a
203 surety bond in the amount of one hundred thousand dollars.

204 (l) The commissioner may suspend the authority of a medical
205 discount plan organization to enroll new members, revoke any license
206 issued to a medical discount plan organization, refuse to renew a
207 license of a medical discount plan organization or order compliance if
208 the commissioner finds that any of the following conditions exist:

209 (1) The organization is not operating in compliance with this section
210 or section 1 of this act;

211 (2) The organization does not have the minimum net worth required
212 by this section;

213 (3) The organization has advertised, sold or attempted to sell its
214 services in such a manner as to misrepresent its services or capacity for
215 service or has engaged in deceptive, misleading or unfair practices
216 with respect to advertising or sales;

217 (4) The organization is not fulfilling its obligations as a medical
218 discount plan organization; or

219 (5) The continued operation of the medical discount plan
220 organization would be hazardous to its members.

221 (m) If the commissioner has reasonable cause to believe that
222 grounds for the suspension, nonrenewal or revocation of a license
223 exist, the commissioner shall notify the medical discount plan
224 organization in writing specifically stating the grounds for suspension,
225 nonrenewal or revocation.

226 (n) When the license of a medical discount plan organization is
227 surrendered, nonrenewed or revoked, the organization shall,
228 immediately following the effective date of the order, wind up and
229 settle the affairs transacted under the license. The organization may
230 not engage in any further marketing, advertising, sales, collection of
231 fees or renewal of contracts as a medical discount plan organization.

232 (o) The commissioner shall, in any order suspending the authority
233 of a medical discount plan organization to enroll new members,
234 specify the period during which the suspension is to be in effect and
235 the conditions, if any, which must be met by the medical discount plan
236 organization prior to reinstatement of its license to enroll new
237 members. The commissioner may rescind or modify the order of
238 suspension prior to the expiration of the suspension period.

239 (p) The commissioner may not reinstate a license: (1) Unless
240 reinstatement is requested by the medical discount plan organization,

241 and (2) if the commissioner finds that the circumstances which led to
242 the suspension still exist or are likely to recur.

243 (q) Each medical discount plan organization shall provide the
244 commissioner at least thirty days advance written notice of any change
245 in the medical discount plan organization's name, address, principal
246 business address or mailing address.

247 (r) Each medical discount plan organization shall maintain an up-to-
248 date list of the names and addresses of the providers with which it has
249 contracted on an Internet web site, the address of which shall be
250 prominently displayed on all its marketing materials, advertisements,
251 brochures and member discount cards. The list shall include providers
252 with whom the medical discount plan organization has contracted
253 directly as well as providers who will provide services to the
254 organization's members as part of a provider network with which the
255 medical discount plan organization has contracted.

256 (s) Each medical discount plan organization shall (1) prominently
257 display on any member discount card the names or identifying logos
258 or trademarks of any provider networks with whom the medical
259 discount plan organization has a contract, and (2) provide the names of
260 such provider networks to members upon request.

261 (t) The commissioner may adopt regulations, in accordance with
262 chapter 54 of the general statutes, to implement the provisions of this
263 section.

264 (u) Any person who violates any provision of this section shall be
265 fined not more than two thousand dollars.

266 Sec. 3. Subsection (a) of section 38a-11 of the general statutes is
267 repealed and the following is substituted in lieu thereof (*Effective*
268 *January 1, 2006*):

269 (a) The commissioner shall demand and receive the following fees:
270 (1) For the annual fee for each license issued to a domestic insurance

271 company, one hundred dollars; (2) for receiving and filing annual
272 reports of domestic insurance companies, twenty-five dollars; (3) for
273 filing all documents prerequisite to the issuance of a license to an
274 insurance company, one hundred seventy-five dollars, except that the
275 fee for such filings by any health care center, as defined in section 38a-
276 175, shall be one thousand one hundred dollars; (4) for filing any
277 additional paper required by law, fifteen dollars; (5) for each certificate
278 of valuation, organization, reciprocity or compliance, twenty dollars;
279 (6) for each certified copy of a license to a company, twenty dollars; (7)
280 for each certified copy of a report or certificate of condition of a
281 company to be filed in any other state, twenty dollars; (8) for
282 amending a certificate of authority, one hundred dollars; (9) for each
283 license issued to a rating organization, one hundred dollars. In
284 addition, insurance companies shall pay any fees imposed under
285 section 12-211; (10) a filing fee of twenty-five dollars for each initial
286 application for a license made pursuant to section 38a-769; (11) with
287 respect to insurance agents' appointments: (A) A filing fee of twenty-
288 five dollars for each request for any agent appointment; (B) a fee of
289 forty dollars for each appointment issued to an agent of a domestic
290 insurance company or for each appointment continued; and (C) a fee
291 of twenty dollars for each appointment issued to an agent of any other
292 insurance company or for each appointment continued, except that no
293 fee shall be payable for an appointment issued to an agent of an
294 insurance company domiciled in a state or foreign country which does
295 not require any fee for an appointment issued to an agent of a
296 Connecticut insurance company; (12) with respect to insurance
297 producers: (A) An examination fee of seven dollars for each
298 examination taken, except when a testing service is used, the testing
299 service shall pay a fee of seven dollars to the commissioner for each
300 examination taken by an applicant; (B) a fee of forty dollars for each
301 license issued; and (C) a fee of forty dollars for each license renewed;
302 (13) with respect to public adjusters: (A) An examination fee of seven
303 dollars for each examination taken, except when a testing service is
304 used, the testing service shall pay a fee of seven dollars to the
305 commissioner for each examination taken by an applicant; and (B) a fee

306 of one hundred twenty-five dollars for each license issued or renewed;
307 (14) with respect to casualty adjusters: (A) An examination fee of ten
308 dollars for each examination taken, except when a testing service is
309 used, the testing service shall pay a fee of ten dollars to the
310 commissioner for each examination taken by an applicant; (B) a fee of
311 forty dollars for each license issued or renewed; and (C) the expense of
312 any examination administered outside the state shall be the
313 responsibility of the entity making the request and such entity shall
314 pay to the commissioner one hundred dollars for such examination
315 and the actual traveling expenses of the examination administrator to
316 administer such examination; (15) with respect to motor vehicle
317 physical damage appraisers: (A) An examination fee of forty dollars
318 for each examination taken, except when a testing service is used, the
319 testing service shall pay a fee of forty dollars to the commissioner for
320 each examination taken by an applicant; (B) a fee of forty dollars for
321 each license issued or renewed; and (C) the expense of any
322 examination administered outside the state shall be the responsibility
323 of the entity making the request and such entity shall pay to the
324 commissioner one hundred dollars for such examination and the
325 actual traveling expenses of the examination administrator to
326 administer such examination; (16) with respect to certified insurance
327 consultants: (A) An examination fee of thirteen dollars for each
328 examination taken, except when a testing service is used, the testing
329 service shall pay a fee of thirteen dollars to the commissioner for each
330 examination taken by an applicant; (B) a fee of two hundred dollars for
331 each license issued; and (C) a fee of one hundred twenty-five dollars
332 for each license renewed; (17) with respect to surplus lines brokers: (A)
333 An examination fee of ten dollars for each examination taken, except
334 when a testing service is used, the testing service shall pay a fee of ten
335 dollars to the commissioner for each examination taken by an
336 applicant; and (B) a fee of five hundred dollars for each license issued
337 or renewed; (18) with respect to fraternal agents, a fee of forty dollars
338 for each license issued or renewed; (19) a fee of thirteen dollars for
339 each license certificate requested, whether or not a license has been
340 issued; (20) with respect to domestic and foreign benefit societies shall

341 pay: (A) For service of process, twenty-five dollars for each person or
 342 insurer to be served; (B) for filing a certified copy of its charter or
 343 articles of association, five dollars; (C) for filing the annual report, ten
 344 dollars; and (D) for filing any additional paper required by law, three
 345 dollars; (21) with respect to foreign benefit societies: (A) For each
 346 certificate of organization or compliance, four dollars; (B) for each
 347 certified copy of permit, two dollars; and (C) for each copy of a report
 348 or certificate of condition of a society to be filed in any other state, four
 349 dollars; (22) with respect to reinsurance intermediaries: A fee of five
 350 hundred dollars for each license issued or renewed; (23) with respect
 351 to viatical settlement providers: (A) A filing fee of thirteen dollars for
 352 each initial application for a license made pursuant to section 38a-465a;
 353 and (B) a fee of twenty dollars for each license issued or renewed; (24)
 354 with respect to viatical settlement brokers: (A) A filing fee of thirteen
 355 dollars for each initial application for a license made pursuant to
 356 section 38a-465a; and (B) a fee of twenty dollars for each license issued
 357 or renewed; (25) with respect to viatical settlement investment agents:
 358 (A) A filing fee of thirteen dollars for each initial application for a
 359 license made pursuant to section 38a-465a; and (B) a fee of twenty
 360 dollars for each license issued or renewed; (26) with respect to
 361 preferred provider networks, a fee of two thousand five hundred
 362 dollars for each license issued or renewed; (27) with respect to rental
 363 companies, as defined in section 38a-799, a fee of forty dollars for each
 364 permit issued or renewed; (28) with respect to medical discount plan
 365 organizations licensed under section 2 of this act, a fee of five hundred
 366 dollars for each license issued or renewed; and [(28)] (29) with respect
 367 to each duplicate license issued a fee of twenty-five dollars for each
 368 license issued."

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2005</i>	New section
Sec. 2	<i>January 1, 2006</i>	New section
Sec. 3	<i>January 1, 2006</i>	38a-11(a)